

Message Text

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ORIGIN EB-07

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TO AMEMBASSY TOKYO

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E.O. 11652: N/A

TAGS: ETRD, JA

SUBJECT: COUNTERVAILING DUTY INVESTIGATION -- INDUSTRIAL
FASTENERS FROM JAPAN

REF: STATE 100106

1. FOLLOWING IS THE TEXT OF NOTE E-27 DATED MAY 12 FROM
THE JAPANESE EMBASSY CONCERNING THE TREASURY DETERMINATION
IN THE COUNTERVAILING DUTY INVESTIGATION OF INDUSTRIAL
FASTENERS FROM JAPAN. BEGIN TEXT.

THE EMBASSY OF JAPAN PRESENTS ITS COMPLIMENTS TO THE
DEPARTMENT OF STATE AND, WITH REFERENCE TO THE RECENT
COUNTERVAILING DUTY DETERMINATION BY THE DEPARTMENT OF THE
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TREASURY ON THE EXPORT OF CERTAIN INDUSTRIAL FASTENERS
FROM JAPAN, HAS THE HONOR TO CONVEY TO THE LATTER THE
FOLLOWING POSITIONS OF THE GOVERNMENT OF JAPAN.

1. SINCE JAPAN ACCEPTED THE DECLARATION OF 1960 GIVING
EFFECT TO THE PROVISIONS OF GATT ARTICLE XVI, SECTION 4
(THE DECLARATION CONCERNING THE ABOLISHMENT OF EXPORT

SUBSIDIES FOR ANY PRODUCT OTHER THAN A PRIMARY PRODUCT),
THERE HAS BEEN NO EXPORT SUBSIDY WHICH VIOLATES THE GATT

ARTICLE ON SUBSIDY. THE GOVERNMENT OF JAPAN STRONGLY
REGRETS THAT THE DEPARTMENT OF THE TREASURY HAS REACHED
THE DECISION TO COUNTERVAIL THE OVERSEAS MARKET DEVELOP-
MENT RESERVE SYSTEM AND THE ACTIVITIES OF JETRO DESPITE
THE FULL EXPLANATION AND THE NUMEROUS DOCUMENTS
PRESENTED BY THE GOVERNMENT OF JAPAN TO THE DEPARTMENT
OF THE TREASURY, ALL ATTESTING TO THE FACT THAT THE
TAX DEFERRALS UNDER THE OVERSEAS MARKET DEVELOPMENT
RESERVE SYSTEM AND THE ACTIVITIES OF JETRO ARE NOT

SUBJECT TO A COUNTERVAILING DUTY.

2. WITH RESPECT TO THE AFFIRMATIVE DETERMINATION BY THE
DEPARTMENT OF THE TREASURY ON COUNTERVAILING THE OVERSEAS
MARKET DEVELOPMENT RESERVE SYSTEM AND THE ACTIVITIES OF
JETRO, THE GOVERNMENT OF JAPAN RESTATES THAT IT IS NOT
APPROPRIATE TO COUNTERVAIL THEM AND FURTHER PRESENTS THE
FOLLOWING VIEWS.

(1) THE OVERSEAS MARKET DEVELOPMENT RESERVE SYSTEM
ALLOWS SMALL SCALE BUSINESS WITH CAPITAL UNDER ONE
BILLION YEN TO DEFER A PART OF THEIR TAX IN ORDER TO
REDUCE THE BURDEN OF OVERSEAS MARKET DEVELOPMENT COSTS
FOR AN INITIAL PERIOD IN VIEW OF THE FACT THAT THE
DEVELOPMENT OF OVERSEAS MARKETS COSTS MUCH MORE THAN

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THAT OF DOMESTIC MARKETS. IT IS EVIDENT THAT THE OVERSEAS
MARKET DEVELOPMENT RESERVE SYSTEM (TAX DEFERRAL FOR FIVE
YEARS) IS FUNDAMENTALLY DIFFERENT FROM DISC, WHICH ALLOWS
THE INFINITE DEFERRAL OF THE TAX, THUS VIRTUALLY RESULTING
IN TAX EXEMPTION, ON HALF OF THE PROFIT DERIVED FROM
OVERSEAS TRANSACTIONS AS FAR AS CERTAIN REQUIREMENTS OF
DISC ARE MET.

(2) THE OBJECTIVES AND ACTIVITIES OF JETRO, AS WAS
STATED IN THE REPLY TO THE DEPARTMENT OF THE TREASURY
IN AUGUST LAST YEAR, ARE NOT DIRECTED TO THE EXPORT PRO-
MOTION OF SPECIFIC ENTERPRISES OR SPECIFIC COMMODITIES,
AND JAPAN FINDS TOTALLY UNACCEPTABLE THE DETERMINATION
OF THE DEPARTMENT OF THE TREASURY THAT JETRO'S ACTIVI-
TIES ARE EXPORT PROMOTIVE.

3. IT IS POSSIBLE THAT THE DETERMINATION OF THE DEPART-
MENT OF THE TREASURY TO COUNTERVAIL ON THE JAPANESE
SYSTEMS IN QUESTION, WHILE CONTINUING THE DISC SYSTEM

IN THE U.S.A. AND MAINTAINING UNITED STATES TRADE CENTERS
THROUGHOUT THE WORLD, WOULD GIVE RISE TO REQUESTS FROM
JAPANESE INDUSTRIES FOR THE IMPOSITION OF A COUNTERVAILING
DUTY UPON THE EXPORTS FROM THE U.S.A. SHOULD THIS
OCCUR, THE GOVERNMENT OF JAPAN WILL BE FACED WITH A
DIFFICULT SITUATION.

THE GOVERNMENT OF JAPAN EXPRESSES ITS CONCERN THAT THE
DETERMINATION OF THE DEPARTMENT OF THE TREASURY COULD
BRING ABOUT EXTREMELY UNDESIRABLE EFFECTS ON THE STABLE
EXPANSION OF NOT ONLY U.S.-JAPAN TRADE, BUT ALSO THE
WORLD TRADE IN GENERAL. END TEXT. VANCE

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